



2025 BILL

- 1 **AN ACT** *to amend* 71.52 (6); *to create* 71.05 (6) (b) 57. of the statutes; **relating**
2 **to:** an income tax subtraction for certain overtime compensation.

Analysis by the Legislative Reference Bureau

This bill creates an income tax subtraction for certain qualified overtime compensation. The bill uses the definition of “qualified overtime compensation” from the Internal Revenue Code, which generally defines qualified overtime compensation as overtime compensation paid to a claimant under the federal Fair Labor Standards Act that is in excess of the claimant’s regular rate of pay. Only qualified overtime compensation that is included on statements furnished to the claimant pursuant to federal or state tax law is eligible to be subtracted under the bill. To claim the subtraction under the bill, a claimant must include the claimant’s social security number on the claimant’s tax return, and if the claimant is considered married for federal tax purposes, the claimant must file a joint tax return. The subtraction under the bill is generally limited to \$12,500 per tax year for claimants, except that the limit is \$25,000 per tax year for claimants who file a joint return. Further, the subtraction phases out to zero for claimants as modified federal adjusted gross income increases from \$150,000 to \$275,000, except that for claimants who file a joint return, the subtraction phases out to zero as modified federal AGI increases from \$300,000 to \$550,000.

Because this bill relates to an exemption from state or local taxes, it may be

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referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.05 (6) (b) 57. of the statutes is created to read:

2 71.05 **(6)** (b) 57. a. Except as provided in subd. 57. e. and f., for taxable years
3 beginning after December 31, 2024, the amount, up to the limit specified in subd.
4 57. b., c., or d., whichever is applicable, of qualified overtime compensation received
5 during the taxable year that is included on statements furnished to the claimant
6 pursuant to section 6041 (d) (4) or 6051 (a) (19) of the Internal Revenue Code in
7 effect for federal purposes or pursuant to s. 71.65 (1).

8 b. Except as provided in subd. 57. c. or d., the amount claimed by a claimant
9 under this subdivision for a taxable year may not exceed \$12,500, except that if a
10 claimant files a joint return, the amount claimed by a claimant under this
11 subdivision for a taxable year may not exceed \$25,000.

12 c. Except as provided in subd. 57. d., the amount claimed by a claimant under
13 this subdivision for a taxable year may not exceed the amount specified in subd. 57.
14 b. reduced, but not below zero, by \$100 for each \$1,000 by which the claimant's
15 modified federal adjusted gross income exceeds \$150,000.

16 d. For a claimant who files a joint return for a taxable year, the amount
17 claimed by the claimant under this subdivision for the taxable year may not exceed
18 the amount specified in subd. 57. b. reduced, but not below zero, by \$100 for each

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1 \$1,000 by which the claimant's modified federal adjusted gross income exceeds
2 \$300,000.

3 e. No subtraction under this subdivision may be claimed for a taxable year
4 unless the claimant includes on the claimant's tax return the claimant's social
5 security number.

6 f. No subtraction under this subdivision may be claimed for a taxable year by
7 a person who is considered married under section 7703 of the Internal Revenue
8 Code unless the person and the person's spouse file a joint tax return for the taxable
9 year.

10 g. In this subdivision, "modified federal adjusted gross income" has the
11 meaning given for "modified adjusted gross income" in section 225 (b) (2) (B) of the
12 Internal Revenue Code in effect for federal purposes.

13 h. In this subdivision, "qualified overtime compensation" means qualified
14 overtime compensation, as defined in section 225 (c) of the Internal Revenue Code
15 in effect for federal purposes. "Qualified overtime compensation" does not include
16 any qualified tip, as defined in section 224 (d) of the Internal Revenue Code in effect
17 for federal purposes.

18 **SECTION 2.** 71.52 (6) of the statutes is amended to read:

19 71.52 (6) "Income" means the sum of Wisconsin adjusted gross income and
20 the following amounts, to the extent not included in Wisconsin adjusted gross
21 income: maintenance payments (except foster care maintenance and
22 supplementary payments excludable under section 131 of the internal revenue
23 code), support money, cash public assistance (not including credit granted under
24 this subchapter and amounts under s. 46.27, 2017 stats.), cash benefits paid by

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1 counties under s. 59.53 (21), the gross amount of any pension or annuity (including
2 railroad retirement benefits, all payments received under the federal social security
3 act and veterans disability pensions), nontaxable interest received from the federal
4 government or any of its instrumentalities, nontaxable interest received on state or
5 municipal bonds, worker's compensation, unemployment insurance, the gross
6 amount of "loss of time" insurance, compensation and other cash benefits received
7 from the United States for past or present service in the armed forces, scholarship
8 and fellowship gifts or income, capital gains, gain on the sale of a personal residence
9 excluded under section 121 of the internal revenue code, dividends, income of a
10 nonresident or part-year resident who is married to a full-year resident, housing
11 allowances provided to members of the clergy, the amount by which a resident
12 manager's rent is reduced, nontaxable income of an American Indian, qualified
13 overtime compensation subtracted under s. 71.05 (6) (b) 57., nontaxable income
14 from sources outside this state and nontaxable deferred compensation. Intangible
15 drilling costs, depletion allowances and depreciation, including first-year
16 depreciation allowances under section 179 of the internal revenue code,
17 amortization, contributions to individual retirement accounts under section 219 of
18 the internal revenue code, contributions to Keogh plans, net operating loss carry-
19 backs and carry-forwards, capital loss carry-forwards, and disqualified losses
20 deducted in determining Wisconsin adjusted gross income shall be added to
21 "income". "Income" does not include gifts from natural persons, cash
22 reimbursement payments made under title XX of the federal social security act,
23 surplus food or other relief in kind supplied by a governmental agency, the gain on
24 the sale of a personal residence deferred under section 1034 of the internal revenue

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code or nonrecognized gain from involuntary conversions under section 1033 of the internal revenue code. Amounts not included in adjusted gross income but added to “income” under this subsection in a previous year and repaid may be subtracted from income for the year during which they are repaid. Scholarship and fellowship gifts or income that are included in Wisconsin adjusted gross income and that were added to household income for purposes of determining the credit under this subchapter in a previous year may be subtracted from income for the current year in determining the credit under this subchapter. A marital property agreement or unilateral statement under ch. 766 has no effect in computing “income” for a person whose homestead is not the same as the homestead of that person’s spouse.

SECTION 3. Initial applicability.

(1) DEFINITION OF INCOME FOR HOMESTEAD CREDIT. The treatment of s. 71.52 (6) first applies to claims filed for taxable years beginning after December 31, 2024.

(END)